

CRA

OTS Revisions

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CRA Rule-April 2006

- Community Development (CD)
Definition



Community Development

■ Definition

- Affordable Housing for LMI Individuals
- Community Services Targeted to LMI Individuals
- Activities that Promote Economic Development
- ***Activities that Revitalize and Stabilize LMI Geographies***



Community Development

- Revitalize & Stabilize factor expanded to now include,
- LMI geographies: and
 - Designated disaster areas, or
 - Distressed nonmetropolitan, middle-income geographies, or
 - Underserved nonmetropolitan, middle-income geographies



CRA Rule-March 22, 2007

Rule is effective July 1, 2007. Revisions apply to examinations that begin in 3rd quarter of 2007.

■ Eliminated

- Alternative Weights for Large Retail Institutions with assets of \$1 billion or more

ISSA – Intermediate Small Savings Association

■ Added

- ISSA Test for Institutions \$250M-Less than \$1B
- Annual Indexing
- Illegal Credit Practices applies to Affiliate Lending within assessment area only



March 22, 2007

- Elimination of Alternative Weights:
 - Ends July 1, 2007
 - 50/25/25 (same as 1995)
 - Low Satisfactory for Investment Test w/High Satisfactory Lending



ISSA Test

■ Lending Test

- LTD Ratio
- % in Assessment Area
- Borrowers Income/Small Business and Small Farm of Different Sizes
- Geographic Distribution
- Complaints

■ CD Test

- # and \$ of CD Loans
- # and \$ of Qualified Investments
- CD Services
- Responsiveness



ISSA Ratings

- Outstanding-must receive an "Outstanding" on one test and at least "Satisfactory" on other.
- Satisfactory-must be rated "Satisfactory" on both Lending and CD test.



March 22, 2007

■ Annual Indexing

- A small savings association (SSA) means an institution that, as of December 31 in either of the prior two calendar years, had assets of less than \$1.033 billion.
- An intermediate small savings association (ISSA) means an institution with assets of at least \$258 million as of December 31 in both of the prior two calendar years and less than \$1.033 billion as of December 31 of either of the prior two calendar years.



Examples of How to Apply the New Thresholds on 7/1/07:

Bank	TA 12/31/05	TA 12/31/06	EXAM Type?
Bank A	\$251 million	\$257 million	SSA
Bank B	\$900 million	\$1.025 billion	ISSA
Bank C	\$1.025 billion	\$1.050 billion	ISSA
Bank D	\$1.035 billion	\$1.050 billion	Large

(TA=Total Assets)



March 22, 2007

- Impact of Discriminatory or Illegal Credit Practices on CRA Rating



Questions?

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